

OFFICE OF AUDITS & ADVISORY SERVICES



DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT COMPLIANCE AUDIT

FINAL REPORT

Chief of Audits: [Juan R. Perez](#)
Senior Audit Manager: [Laura Flores, CIA, CFE, CGAP](#)
Auditor II: [Kathleen Medlin, CGAP, CICA](#)

Intentionally Left Blank



County of San Diego

TRACY M. SANDOVAL
GENERAL MANAGER/
AUDITOR & CONTROLLER
(619) 531-5413
FAX: (619) 531-5219

FINANCE & GENERAL GOVERNMENT GROUP

1600 PACIFIC HIGHWAY, SUITE 166, SAN DIEGO, CA 92101-2422

ASSESSOR/RECORDER/COUNTY CLERK
AUDITOR AND CONTROLLER
CHIEF ADMINISTRATIVE OFFICE
CIVIL SERVICE COMMISSION
CLERK OF THE BOARD
COUNTY COMMUNICATIONS OFFICE
COUNTY COUNSEL
COUNTY TECHNOLOGY OFFICE
GRAND JURY
HUMAN RESOURCES
RETIREMENT ASSOCIATION
TREASURER-TAX COLLECTOR

September 30, 2013

TO: Todd Henderson, Director
Housing and Community Development

FROM: Juan R. Perez
Chief of Audits

FINAL REPORT: DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT COMPLIANCE AUDIT

Enclosed is our report on the Department of Housing and Community Development Compliance Audit. We have reviewed your response to our recommendations and have attached them to the audit report.

The actions taken and/or planned, in general, are responsive to the recommendations in the report. As required under Board Policy B-44, we respectfully request that you provide quarterly status reports on the implementation progress of the recommendations. The Office of Audits & Advisory Services will contact you or your designee near the end of each quarter to request your response.

Also attached is an example of the quarterly report that is required until all actions have been implemented. To obtain an electronic copy of this template, please contact Kathleen Medlin at (858) 495-5653.

If you have any questions, please contact me at (858) 495-5661.

JUAN R. PEREZ
Chief of Audits

AUD:KM:aps

Enclosure

c: David Estrella, Deputy Chief Administrative Officer, Community Services Group
Tracy M. Sandoval, Deputy Chief Administrative Officer/Auditor and Controller
Kaye Hobson, Group Finance Director, Community Services Group

INTRODUCTION

Audit Objective	<p>The Office of Audits & Advisory Services (OAAS) completed an audit of the Department of Housing and Community Development (HCD or the Department). The objective of the audit was to assess the internal controls over eligibility and the use of funds in compliance with applicable laws, regulations, and County policy.</p>
Background	<p>HCD provides housing assistance and community improvements that benefit low and moderate income persons. The Department provides services to County residents through rental assistance, minor home improvement loans, first-time homebuyer assistance, and public improvement programs. These programs improve neighborhoods and alleviate substandard housing.</p> <p>HCD is comprised of two sections: HCD Community Development and Rental Assistance, which serves as the Housing Authority of the County of San Diego (HACSD). The Community Development section manages community development and homeless grant programs. These include the Community Development Block Grant, Emergency Shelter Grant, Homelessness Prevention and Rapid Re-housing Program, and Neighborhood Stabilization Program.</p> <p>The HACSD administers several publicly-owned rental housing units within San Diego County and rental assistance programs. Some of these programs include the Housing Choice Voucher, Public Housing, and Moderate Rehabilitation Programs. With the use of Community Development funds, HCD created the Tenant-based Rental Assistance (TBRA) programs. These programs provide rental subsidy to help individuals and their families afford housing costs such as rent and utility costs. The TBRA programs are designed to assist and support targeted populations, self-sufficiency programs, and anti-displacement programs.</p> <p>As of June 30, 2012, HCD received a total of \$138,926,903 in federal funding. HCD Community Development received \$6,199,923 (12%) of the total funding and HACSD received \$132,726,980 (88%), from which \$1,284,744 was allocated to the TBRA programs.</p>
Audit Scope & Limitation	<p>The scope of the audit focused on evaluating whether adequate internal controls were in place to provide reasonable assurance that eligibility requirements and the use of funds were in compliance with applicable laws, regulations, and County policy. The period under review included fiscal years 2010-11 through 2012-13.</p>

OAAS conducted test of controls and transaction details on the following TBRA programs:

TBRA Program	Description
HOME Investment Partnerships (HOME)	HOME Emancipated Foster Youth – rental assistance to foster youth between the ages of 18-24.
	HOME Family Reunification – rental assistance to families attempting to reunite with their children whom are participating in the Dependency Court's Substance Abuse Recovery Management System (SARMS).
	HOME Homeless Veterans Pilot (HOME-VETS) – rental assistance to homeless veterans. ¹
Housing Opportunities for Persons with AIDS (HOPWA)	Rental assistance for low-income individuals with AIDS/HIV.
Shelter Plus Care (SPC)	Rental assistance for low-income individuals diagnosed with disabilities.
Redevelopment Local Rental Subsidy Program	Rental assistance to low-income households within the Gillespie Field and the Upper San Diego River Improvement Project areas. ²

This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing prescribed by the Institute of Internal Auditors as required by California Government Code, Section 1236.

Methodology

OAAS performed the audit using the following methods:

- Interviewed key personnel on policies, processes, and requirements relevant to the areas being reviewed.
- Examined policies and procedures related to the areas being reviewed and created flowcharts that mapped key processes to obtain an understanding of the eligibility process.
- Assessed risks and controls independently and in coordination with HCD staff.
- Selected and reviewed a judgmental sample of case files within the TBRA programs to determine if eligibility requirements were met.
- Selected a judgmental sample of monthly claims to determine if claimed amounts were for eligible activities and had adequate supporting documentation.

¹ Due to funding reallocation, the HOME-VETS program is no longer accepting new participants.

² Due to funding limitations, the Redevelopment Local Rental Subsidy Program is no longer accepting new participants.

- Inspected annual performance reports to determine if they were submitted timely and contained specific required information.

AUDIT RESULTS

Summary

Within the scope of the audit, there is reasonable assurance that adequate controls exist over the eligibility process and the use of funds is in compliance with applicable laws, regulations, and County policy. To further strengthen current controls and improve their effectiveness, OAAS has the following finding and related recommendation:

Finding I:

Eligibility Determination Process Needs Enhancement

OAAS' review of HOME case files determined that verification of the participant's eligibility was not consistently documented. Specifically, of the 25 case files selected for review, OAAS noted the following:

- Veteran status for six participants of the HOME-VETS program was not documented in the case file to validate the participant's eligibility.
- Criminal background check for one participant of the HOME-FOSTER program was not documented in the case file to demonstrate the participant's eligibility.

Applicants for the HOME-VETS program must meet financial requirements based on income levels and veteran status. In addition to financial eligibility, applicants for the HOME-FOSTER program should be screened thoroughly and fairly for criminal activity.

HCD established a Memorandum of Understanding (MOU) with a community agency for the referral of homeless veterans to HCD's HOME-VETS program.³ The roles and responsibilities outlined within the MOU do not clearly establish a certification process that describes eligibility activities and required documentation. Therefore, the community agency did not provide eligibility support for referrals made and HCD did not validate eligibility based on veteran status.

According to HCD, the one case missing criminal background check within the HOME-FOSTER program was an oversight during supervisory review of the case file.

Subsequent review conducted by HCD noted no exceptions with the eligibility of the participants reviewed by OAAS. However, insufficient documentation to substantiate eligibility prevents HCD from ensuring that all participants referred by the community agency are eligible to receive program benefits.

³ The MOU with this community agency ended as of May 2013 since the HOME-VETS program does not accept new applicants.

Recommendation:

1. HCD should develop procedures for establishing future MOU's for housing assistance programs to ensure that clear roles and responsibilities are outlined within the agreements. MOUs should also include specific requirements such as, certification process and submission and retention of key documentation to validate the participant's eligibility.
2. HCD should strengthen supervisory review of case files by implementing a checklist that includes a periodic review of sufficient supporting documentation for eligibility determination.

Office of Audits & Advisory Services

C
omplianceR
eliabilityE
ffectivenessA
ccountabilityT
ransparencyE
fficiencyV
A
L
U
E

DEPARTMENT'S RESPONSE



County of San Diego

TODD HENDERSON
Director

DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT

3989 RUFFIN ROAD, SAN DIEGO, CALIFORNIA 92123-1815

Tel.: (858) 694-4801
Fax: (858) 694-4871
TDD: (866) 945-2207
Toll-free: 1 (877) 478-5478

September 26, 2013

RECEIVED

SEP 30 2013

TO: Juan R. Perez, Chief of Audits
Office of Audits and Advisory Services

OFFICE OF AUDITS &
ADVISORY SERVICES

FROM: Todd Henderson, Director
Department of Housing and Community Development

DEPARTMENT RESPONSE TO AUDIT RECOMMENDATIONS—DEPARTMENT OF HOUSING AND COMMUNITY DEVELOPMENT COMPLIANCE AUDIT

Dear Mr. Perez:

Finding I: Eligibility Determination Process Needs Enhancement

OAAS Recommendation:

1. HCD should develop procedures for establishing future MOU's for housing assistance programs to ensure that clear roles and responsibilities are outlined within the agreements. MOU's should also include specific requirements for the certification process, and submission and retention of key documentation to validate the participant's eligibility.
2. HCD should strengthen supervisory review of case files by implementing a checklist that includes a periodic review of sufficient supporting documentation for eligibility determination.

Action Plan: HCD agrees with the audit recommendations and will implement the necessary steps to address the finding.

1. HCD will develop procedures for establishing future MOU's for housing assistance programs to ensure that clear roles and responsibilities are outlined within the agreements, including specific requirements for the certification process, and submission and retention of key documentation to validate the participant's eligibility.
2. HCD has developed a checklist that will be used to strengthen supervisory periodic review of case files by verifying sufficient supporting documentation for eligibility determination. A sample checklist is enclosed with this response.

Serving as the Housing Authority of the County of San Diego

Juan Perez, Chief of Audits
September 26, 2013
Page 2

Planned Completion Dates:

Recommendation 1: December 30, 2013

Recommendation 2: Completed August 2013

Contact Information for Implementation: Marco De La Toba, Chief, Rental Assistance

If you have any questions, please contact me at (858) 694-8750.

Sincerely,

A handwritten signature in black ink, appearing to read "T Henderson".

TODD HENDERSON, Director
Department of Housing and Community Development

TH/MDLT

Enclosure

cc: David Estrella, Deputy Chief Administrative Officer, CSG
Kaye Hobson, CSG Finance Director